

**SOME PERTINENT COVERAGE PROVISIONS
FOR EMPLOYERS UNDER
THE ALABAMA UNEMPLOYMENT COMPENSATION LAW**

- A. ESTABLISHING LIABILITY:** The individual owner of a business is not an employee, nor the parents, spouse, or children of the owner under the age of 21. Partners in a partnership are not employees of the business. Any remuneration received by officers of a corporation is taxable.
- 1. Employers Liable Under the Federal Unemployment Tax Act:** Any employer subject for the current or preceding calendar year to the excise tax on payrolls imposed under Section 3306 of the Federal Internal Revenue Code (Federal Unemployment Tax Act) is subject to the Alabama Act regardless of the number of employees it has in Alabama. Liability in this instance is from the date Alabama operations commence.
 - 2. Successor-in-Interest** (*An employer becomes subject by:*)
 - (a) Acquiring the trade or business, organization, or substantially all the assets thereof, of another employer which at the time of such acquisition was an employer subject to the Alabama Act.
 - (b) Acquiring a segregable part of the organization, trade or business of another employer which was at the time of acquisition an employer subject to this Act; provided, such segregated part would itself have been an employing unit subject to this Act had it represented the entire business of the predecessor.
 - (c) Acquiring the organization, trade, or business, or substantially all the assets of another, not at the time of acquisition an employer subject to this Law, if the employment prior to the date of acquisition combined with the employment subsequent to the date of acquisition, both within the same calendar year is sufficient to render an employer subject as outlined above.
 - 3. Extent and Duration:** The Alabama Unemployment Compensation Law provides that, except for governmental entities, an employer becomes subject thereto and liable for taxes thereunder when any one of the following conditions are met:
 - (a) **Non-Farm Business Employers**
 - (1) When the employer has paid wages of \$1,500 or more in any calendar quarter during the current or preceding calendar year; **or**
 - (2) has had in employment one or more workers on some day in 20 or more different weeks, whether or not consecutive, during the current or preceding calendar year.
 - (b) **Household Domestic Employers**

Domestic employers become liable when the employer pays domestic workers in a private household, college club, fraternity or sorority house a total of \$1,000 or more in cash wages in any calendar quarter during the current or preceding calendar year.
 - (c) **Agricultural Employers**
 - (1) When the employer has paid a total of \$20,000 in cash wages to agricultural workers during any calendar quarter of the current or preceding calendar year; **or**
 - (2) has had in employment 10 or more agricultural workers on the same day in 20 or more different weeks, whether or not consecutive, during the current or preceding calendar year.
 - (d) **Non-Profit Organizations**
 - (1) Non-profit organizations that are exempt from Federal Unemployment Tax under the provisions of Federal Law 3306(c)(8) and are exempt from the IRS Code under Section 501(c)(3) become liable at the beginning of the calendar year (or as of the date it begins operation if after the beginning of the year) during which the organization has 4 or more employees on some day in 20 or more different weeks, whether or not consecutive, during the current or preceding calendar year.
 - (2) Non-profit organizations subject to the Alabama UC Law and exempt under the same provisions listed above may elect, if they so desire, to make payments in lieu of the regularly required contributions.

These are called "Reimbursement" payments and are made to reimburse the unemployment insurance fund for the benefits paid to former employees of the non-profit organization on a dollar for dollar basis.

- (3) Even though a non-profit organization may meet the above conditions, it is exempt entirely if it is organized and operated primarily for religious purposes.

B. EMPLOYER TAX RATE:

1. New employers determined liable for years beginning on or after January 1, 1976, are taxed at a rate of 2.70% of taxable wages. Such employers become eligible for experience rating effective January 1 following that fiscal year (ending June 30) throughout which its account has been chargeable with benefit wages.
2. An employer determined subject as a successor-in-interest (Paragraph A.2. above) succeeds to the employment experience and tax rate of the predecessor employer. An employer who succeeds to a segregable portion of a business acquires that portion of the employment experience and tax rate identified with the acquired portion in Paragraph A.2.(b) only if:
 - (a) he makes written application for such transfer of employment experience within ninety calendar days from the date of the acquisition of the said portion; and
 - (b) furnishes to the Director a transcript of such total and taxable payrolls which correspond to the acquired segregable portion within one hundred twenty calendar days from the date of acquisition. The responsibility for filing such transcripts rests with the employer.
3. Merger. In the event two or more subject employers are merged, with one being the surviving entity, the tax rate of the survivor will prevail throughout the balance of the tax rate year during which such merger occurred (January 1 through December 31 of the same year). Effective for the following tax rate year, the employment experience of the merging entities will be combined for tax rate purposes. If neither of the original entities survive and an entirely new entity emerges, then the experience of all merging employers is immediately combined for rate purposes.

C. TAXABLE LIMITATION ON EARNINGS:

1. Beginning 1983, taxable wages are eight thousand dollars (\$8,000).
2. Wages paid to an employee by a predecessor-in-interest or wages paid in another state to an employee who has been transferred to Alabama by the same employer, or its predecessor, all within the same calendar year, may be taken into account in arriving at the taxable limitation.
3. Wages in excess of the taxable limitation must be reported but are not taxable.

NOTE: The employer tax, if timely paid, is allowed as a full credit (such credit being computed at five and four tenths percent [5.40%] regardless of the prevailing experience rate) against the excise tax on payrolls imposed under the Federal Unemployment Tax Act.

D. REPORTING REQUIREMENTS: Reports, accompanied by remittance, are due for each calendar quarter ending March 31, June 30, September 30, and December 31, and become delinquent at the close of business on the last day of the month immediately following the close of the calendar quarter - April 30, July 31, October 31, and January 31. Wages should be reported in the quarter in which they were paid, not in the quarter in which they were earned. Adjustments in wages paid in a prior quarter must be made in the quarter in which they were paid and reported.

E. PENALTY FOR LATE REPORTS: A late filing penalty is assessed against the employer for each report that is not timely filed, regardless of whether or not any tax is due for the quarter. For quarters prior to December 31, 1995, the penalty is \$5. For quarters beginning with January 1, 1996, the penalty is \$25, or 10% of the tax due, whichever is greater.

F. LIABILITY APPEALS: Any Appeal of Liability must be made in writing within thirty (30) days of the date of the Liability Determination Letter. An Appeal, if desired, should be directed to the Chief of Tax, Room 4435, Industrial Relations Building, Montgomery, Alabama 36131.